

TEAM ACADEMY CHARTER SCHOOL, INC.

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2019**

TEAM ACADEMY CHARTER SCHOOL, INC.

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June 30, 2019

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Independent Auditor's Report

To the Board of Trustees of
TEAM Academy Charter School, Inc.:

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of TEAM Academy Charter School, in the County of Essex, state of New Jersey, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 3, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings as results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of TEAM Academy Charter School's management, Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
December 3, 2019

Matthew T. McGinnis, CPA
Public School Accountant
PSA #20CC04260100

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Board of Trustees and the records of the various funds under the auspices of the Board of Trustees.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in the amounts as detailed in Exhibit J-20, Insurance Schedule contained in the Charter School CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>
Steve Small	Chief Financial Officer

There is a Public Employee's Faithful Performance Blanket Position Bond Policy covering all other employees with multiple coverage of \$25,000.

School Leaders Errors and Omissions Liability insurance was carried for all members of the Board of Trustees with coverage for each wrongful act of \$3,000,000.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the designee in the Charter School and were certified by the President of the Board of Trustees, and the School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2019 for proper classification of orders for accounts payable. No discrepancies were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A23A-23A-16(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and state single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A23A-8.3*. As a result of the procedures performed, no transaction error was noted.

SCHOOL PURCHASING PROGRAMS

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The Charter School utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three months average expenditures (see page 12).

Exhibits reflecting Child Nutrition Operations are included in Section G of the CAFR.

Board and Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary did not disclose any new exceptions during the year.

Our review of the records of the Treasurer did not disclose any new exceptions during the year.

Student Body Activities

Our review of the student activities funds did not disclose any new exceptions during the year.

Contracts and Agreements Requiring Advertisements for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website:
<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is \$19,000 for 2018-19.

The district board of education/charter school board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

SCHEDULE OF AUDITED ENROLLMENTS

Enrollment Counts and Submissions to the Department

Our audit procedures included test of information reported on the October 15, 2018, and the last day of school for on-roll, special education, English Language Learners (ELL) and low income. We also performed a review of the Charter School procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data. The results of our procedures are presented in the Schedule of Audit Enrollments. No exceptions noted.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) has any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to the allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared, sold, or offered for sale, comment in kind. No exceptions were noted.

Teachers' Pension and Annuity Fund Reimbursement

Our audit procedures included a test of reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers' Pension and Annuity Fund. No exceptions noted.

Teachers' Pension and Annuity Fund Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and or state that no exceptions were noted.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended. No exceptions noted.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Exhibit E-1 located in the CAFR.

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

MISCELLANEOUS

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

FOLLOW-UP ON PRIOR YEAR FINDINGS

In accordance with government auditing standards, our procedures included a review of the prior year findings. No recommendations were reported in the prior year.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

Matthew T. McGinnis, C.P.A.

TEAM Academy Charter School, Inc.

Audit Synopsis Recommendations
June 30, 2019

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
Not applicable
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
Not applicable
6. Application for State and School Aid
None
7. Pupil Transportation
Not applicable
8. Facilities and Capital Assets
Not applicable
9. Miscellaneous
Not applicable
10. Status of Prior Year's Findings and Recommendations
Not applicable

TEAM ACADEMY CHARTER SCHOOLS, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018

Grades	Submission to DOE reported On Roll	Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	455	228	228	0	228	0	39	39	0	39	0	455	455	0
One	451	226	226	0	226	0	35	35	0	35	0	423	423	0
Two	452	226	226	0	226	0	51	51	0	51	0	412	412	0
Three	454	227	227	0	227	0	50	50	0	50	0	409	409	0
Four	457	229	229	0	229	0	54	54	0	54	0	409	409	0
Five	341	171	171	0	171	0	69	69	0	69	0	341	341	0
Six	344	172	172	0	172	0	50	50	0	50	0	297	297	0
Seven	337	169	169	0	169	0	46	46	0	46	0	282	282	0
Eight	333	167	167	0	167	0	66	66	0	66	0	290	290	0
Nine	206	103	103	0	103	0	67	67	0	67	0	206	206	0
Ten	208	104	104	0	104	0	39	39	0	39	0	164	164	0
Eleven	175	88	88	0	88	0	31	31	0	31	0	142	142	0
Twelve	142	71	71	0	71	0	35	35	0	35	0	110	110	0
Total	4355	2181	2181	0	2181	0	632	632	0	632	0	3940	3940	0
Percentage				0%		0%			0%		0%			0%

* These amounts are from TEAM Academy Charter School's internal database and as such, these amounts are unaudited.

TEAM ACADEMY CHARTER SCHOOLS, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY OF SCHOOL

Grades	Submission to DOE reported On Roll	Sample													
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	
Kindergarten	446	223	223	0	223	0	36	36	0	36	0	420	420	0	
One	446	223	223	0	223	0	40	40	0	40	0	405	405	0	
Two	451	226	226	0	226	0	39	39	0	39	0	404	404	0	
Three	452	226	226	0	226	0	45	45	0	45	0	418	418	0	
Four	466	233	233	0	233	0	71	71	0	71	0	419	419	0	
Five	334	167	167	0	167	0	50	50	0	50	0	289	289	0	
Six	342	171	171	0	171	0	55	55	0	55	0	288	288	0	
Seven	333	167	167	0	167	0	68	68	0	68	0	286	286	0	
Eight	337	169	169	0	169	0	56	56	0	56	0	289	289	0	
Nine	222	111	111	0	111	0	41	41	0	41	0	178	178	0	
Ten	207	104	104	0	104	0	34	34	0	34	0	170	170	0	
Eleven	188	94	94	0	94	0	39	39	0	39	0	139	139	0	
Twelve	144	72	72	0	72	0	32	32	0	32	0	98	98	0	
Total	4368	2186	2186	0	2186	0	606	606	0	606	0	3803	3803	0	
Percentage				0%		0%			0%		0%			0%	

* These amounts are from TEAM Academy Charter School's internal database and as such, these amounts are unaudited.

TEAM ACADEMY CHARTER SCHOOL, INC
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2019

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	51,594	51,594	51,594	0	0.36	0.00
National School Lunch (Regular Rate)	Reduced	58,111	58,111	58,111	0	2.965	0.00
National School Lunch (Regular Rate)	Free	458,314	458,314	458,314	0	3.365	0.00
	TOTAL	<u>568,019</u>	<u>568,019</u>	<u>568,019</u>			<u>0.00</u>
School Breakfast (Regular Rate)	Paid	39,217	39,217	39,217	0	0.31	0.00
	Reduced	42,310	42,310	42,310	0	1.49	0.00
	Free	347,433	347,433	347,433	0	1.79	0.00
	TOTAL	<u>428,960</u>	<u>428,960</u>	<u>428,960</u>			<u>0.00</u>

TEAM ACADEMY CHARTER SCHOOL, INC.

Excess Surplus Calculation
June 30, 2019

EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 80,434,776(B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ 9,786,971 (B1a)
Transfer from Capital Reserve to Capital Projects Fund (B1b)	\$ _____ -
Transfer from General Fund to SRF for PreK-Regular (B1c)	\$ _____ -
Transfer from General Fund to SRF for PreK-Inclusion (B1d)	\$ _____ -
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 6,539,665 (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1a)-(B2a)]	\$ 83,682,082 (B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 1,673,642 (B4)
Enter Greater of (B4) or \$250,000	\$ 1,673,642 (B5)
Increased by: Allowable Adjustment	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 1,673,642 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 12,479,350 (C)
Decreased by:	
Year-end Encumbrances	\$ _____ (C1) Legally
Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures	\$ _____ (C3) Other
Restricted Fund Balances (C4)	\$ (595,630)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ 797,786 (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 11,681,564 (U1)

TEAM ACADEMY CHARTER SCHOOL, INC.

Excess Surplus Calculation
June 30, 2019

EXCESS SURPLUS CALCULATION (Continued)

SECTION 2

Restricted Fund Balance – Excess Surplus [(U1)-(M)] \$ 10,007,922 (E)

Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures	\$ _____ - (C3)
Reserved Excess Surplus [(E)]	\$ <u>10,007,922</u> (E)
Total Excess Surplus [(C3) + (E)]	\$ <u>10,007,922</u>

NET CASH RESOURCE SCHEDULE

**Net Cash Resources did/did not exceed Three Months of Expenditures
Proprietary Funds - Food Service
Fiscal Year Ended June 30, 2019**

			Food Service B - 4/5	
<u>Net Cash Resources:</u>			<u> </u>	
CAFR	*	Current Assets		
B-4		Accounts Receivable	\$ 593,777	
CAFR		Current Liabilities		
B-4		Less Accounts Payable	<u>(607,456)</u>	
		Net Cash Resources	<u>\$ (13,679)</u>	(A)

Net Adj. Total Operating Expense:

B-5		Tot. Operating Exp.	<u>\$ 3,652,988</u>	
		Adj. Tot. Oper. Exp.	<u>\$ 3,652,988</u>	(B)

Average Monthly Operating Expense:

	B / 10	<u>\$ 365,299</u>	(C)
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Three Times Monthly Average:

	3 X C	<u>\$ 1,095,896</u>	(D)
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TOTAL IN BOX A	(13,679)
LESS TOTAL IN BOX D	(1,095,896)
NET	(1,109,575)

From above:

A is greater than D, cash exceeds 3 X average monthly operating expenses.

D is greater than A, cash does not exceed 3 X average monthly operating expenses.

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form